



## CONGRESSIONAL BUDGET OFFICE PAY-AS-YOU-GO ESTIMATE

December 13, 1999

### **H.R. 3443** **Foster Care Independence Act of 1999**

*As cleared by the Congress on November 19, 1999*

#### **SUMMARY**

H.R. 3443 would increase funding for the Independent Living program that assists foster care children and would give states a new option for providing health coverage for former foster children through the Medicaid program. Other provisions in the act would improve payment accuracy and reduce fraud in the Supplemental Security Income (SSI) and Social Security Disability Insurance (DI) programs and reduce federal payments to states under the child support program.

CBO estimates that H.R. 3443 would result in no net change in direct spending over fiscal years 2000 through 2004. We estimate that the act will decrease outlays from direct spending in 2000, 2002, and 2003 (by \$22 million, \$15 million, and \$1 million, respectively). We estimate outlay increases in 2000 and 2004 (\$24 million and \$14 million, respectively). CBO estimates that the act will increase direct spending after 2004, with net annual costs gradually rising to \$55 million in 2009, for a net cost of \$188 million over the 2000-2009 period.

The act would increase spending in the Foster Care and Medicaid programs by \$291 million and \$195 million, respectively. These increases would be offset by reduced spending in the child support (\$198 million), SSI (\$128 million), Medicaid (\$141 million), Food Stamp (\$4 million), and State Children's Health Insurance (SCHIP) (\$15 million) programs. H.R. 3443 would not have a significant impact on DI spending.

#### **ESTIMATED PAY-AS-YOU-GO EFFECTS**

The estimated impact of H.R. 3443 on direct spending is shown in Table 1. The costs of this legislation fall within budget functions 550 (health) and 600 (income security). This legislation may also result in a small increase in governmental receipts (from civil and criminal penalties), but CBO estimates that any such amounts will total less than \$500,000 a year.

TABLE 1. ESTIMATED DIRECT SPENDING UNDER H.R. 3443

|                                     | Outlays By Fiscal Year, in Millions of Dollars |               |               |               |               |
|-------------------------------------|--|---------------|---------------|---------------|---------------|
|                                     | 2000   | 2001          | 2002          | 2003          | 2004          |
| <b>DIRECT SPENDING</b>              |  |               |               |               |               |
| <b>CBO Baseline</b>                 |  |               |               |               |               |
| Foster Care and Adoption Assistance | 5,296  | 5,768         | 6,253         | 6,751         | 7,255         |
| Supplemental Security Income        | 29,625   | 31,258        | 33,005        | 34,826        | 36,766        |
| Medicaid                            | 116,578  | 124,841       | 134,927       | 146,073       | 159,094       |
| State Children's Health Insurance   | 2,000  | 3,000         | 3,900         | 4,017         | 4,138         |
| Child Support Enforcement           | 2,792  | 2,980         | 3,229         | 3,574         | 3,854         |
| Food Stamps                         | <u>21,439</u>                                  | <u>22,480</u> | <u>23,314</u> | <u>23,985</u> | <u>24,687</u> |
| Total                               | 177,730  | 190,327       | 204,628       | 219,226       | 235,794       |
| <b>Proposed Changes</b>             |  |               |               |               |               |
| Foster Care and Adoption Assistance | 13   | 58            | 73            | 73            | 74            |
| Supplemental Security Income        | a  | -3            | -43           | -41           | -41           |
| Medicaid                            | 5  | 11            | -6            | 17            | 27            |
| State Children's Health Insurance   | -1   | -2            | -3            | -4            | -5            |
| Child Support Enforcement           | -39  | -39           | -35           | -45           | -40           |
| Food Stamps                         | <u>0</u>                                       | <u>-1</u>     | <u>-1</u>     | <u>-1</u>     | <u>-1</u>     |
| Total Changes                       | -22  | 24            | -15           | -1            | 14            |
| <b>Spending Under H.R. 3443</b>     |  |               |               |               |               |
| Foster Care and Adoption Assistance | 5,309  | 5,826         | 6,326         | 6,824         | 7,329         |
| Supplemental Security Income        | 29,625   | 31,255        | 32,962        | 34,785        | 36,725        |
| Medicaid                            | 116,583  | 124,852       | 134,921       | 146,090       | 159,121       |
| State Children's Health Insurance   | 1,999  | 2,998         | 3,897         | 4,013         | 4,133         |
| Child Support Enforcement           | 2,753  | 2,941         | 3,194         | 3,529         | 3,814         |
| Food Stamps                         | <u>21,439</u>                                  | <u>22,479</u> | <u>23,313</u> | <u>23,984</u> | <u>24,686</u> |
| Total                               | 177,708  | 190,351       | 204,613       | 219,225       | 235,808       |

Note: Components may not sum to totals because of rounding.

a. Savings of less than \$500,000.

## BASIS OF ESTIMATE

### Title I: Improved Independent Living Program

Title I of H.R. 3443 would modify and expand funding for the Independent Living program, permit children in foster care to hold larger amounts of assets, and allow states to create a new Medicaid eligibility category for children who have reached age 18 and are no longer eligible for foster care. The estimated effects of title I on direct spending are shown in Table 2.

TABLE 2. ESTIMATED DIRECT SPENDING EFFECTS OF TITLE I OF H.R. 3443

|                                     | Outlays By Fiscal Year, in Millions of Dollars |           |           |           |           |
|-------------------------------------|--|-----------|-----------|-----------|-----------|
|                                     | 2000   | 2001      | 2002      | 2003      | 2004      |
| <b>CHANGES IN DIRECT SPENDING</b>   |  |           |           |           |           |
| Improved Independent Living Program |  |           |           |           |           |
| Foster Care and Adoption Assistance | 10   | 55        | 70        | 70        | 70        |
| Increased Allowable Assets          |  |           |           |           |           |
| Foster Care and Adoption Assistance | 3  | 3         | 3         | 3         | 4         |
| State Option for Medicaid Coverage  |  |           |           |           |           |
| Medicaid                            | 5  | 20        | 40        | 60        | 70        |
| SCHIP                               | <u>-1</u>                                      | <u>-2</u> | <u>-3</u> | <u>-4</u> | <u>-5</u> |
| Total Changes                       | 17   | 76        | 110       | 129       | 139       |

**Improved Independent Living Program.** Section 101 would provide states with more funding and greater flexibility to carry out the Independent Living program. The program provides services to older foster children and former foster children to help them successfully make the transition from foster care to life on their own. The Independent Living program is an entitlement to states, but is capped at \$70 million annually. Funds are allocated to states on the basis of each state's share of children receiving federal foster care assistance under title IV-E in 1984. States are required to provide a dollar-for-dollar match for federal funds received above their share of the first \$45 million. Activities authorized under the Independent Living program include vocational training, training in daily living skills, and other services designed to improve the transition to independent living.

Section 101 would raise the cap on Independent Living funding from \$70 million to \$140 million annually. The old matching formula would be replaced by one that requires states to provide one dollar for every four federal dollars. Funds would be allocated to states on the basis of each state's share of the number of children in foster care in the most recent year that data are available. However, no state's funding could fall below its 1998 level. The Secretary of Health and Human Services would reserve 1.5 percent of the \$140 million for evaluation, technical assistance, performance measurement, and data collection. States would be allowed to use up to 30 percent of their allotments for room and board expenses for former foster children between 18 and 21 years old.

Section 101 would provide additional funding totaling \$350 million in fiscal years 2000 through 2004; CBO estimates that outlays would amount to \$275 million over that period. CBO assumes that states would spend the increased funding at the same rate that they currently spend Independent Living funds.

**Increased Allowable Assets.** Section 111 would raise the limit on the amount of assets a child could have while remaining eligible for federal foster care assistance. Under current law, children are eligible for federal foster care assistance if the family from which the child was removed would have been eligible for the Aid to Families with Dependent Children (AFDC) program as it existed on June 1, 1995. To be eligible for AFDC, a family could not have more than \$1,000 in assets. This provision would allow children in foster care to have up to \$10,000 in assets and retain eligibility for federal foster care assistance.

CBO estimates that 1 percent of children in Independent Living programs have between \$1,000 and \$10,000 in assets and thus would be made newly eligible for federal foster care assistance. While any child in foster care might have assets that exceed \$1,000, we estimate that the older children participating in Independent Living programs are the most likely to have higher assets. No administrative data or survey data record the assets of children in foster care. The estimate is based on conversations with national experts and state officials. CBO estimates that about half of the children in Independent Living programs, 45,000 children, would not currently be eligible for federal foster care assistance and that this provision would make 1 percent of them, 450 children, newly eligible for federal foster care payments. The federal government would spend \$3 million more in 2000 based on an average annual federal cost of \$7,000. That cost would rise to \$4 million by 2004, as both foster care caseloads and average benefit amounts increased, for a total cost of \$16 million over the 2000-2004 period.

**State Option for Medicaid Coverage.** Section 121 of H.R. 3443 would allow states to provide Medicaid eligibility to certain former foster children until their 21st birthday. CBO estimates that the provision would increase federal Medicaid outlays by \$5 million in 2000

and \$195 million over the 2000-2004 period. Savings amounting to \$15 million over the same period would occur in SCHIP.

Children who receive federally funded foster care are automatically eligible for Medicaid. Most children who receive state-funded foster care also are eligible for Medicaid. Automatic Medicaid eligibility ends when foster care ends—typically on the child's 18th birthday. Based on state-reported data on the number of children in foster care, CBO estimates that in 1998 there were 65,000 people who were 18, 19, or 20 years old, had received foster care on their 18th birthday, and were no longer receiving foster care. CBO projects this figure will rise to 80,000 by 2004.

Under current law there are several pathways to Medicaid eligibility for young adults who have reached age 18 and are no longer eligible for foster care. They are eligible if they are disabled and receive SSI, or if they are a low-income parent and meet the state's welfare-related Medicaid eligibility criteria. In addition, 18 year-olds are eligible for Medicaid or SCHIP if they meet the state's income criteria for those programs. Finally, states may cover children up to age 21 who would be eligible for cash welfare if they met the definition of dependent child. (This state option is often referred to as the Ribicoff provision.) Based on conversations with state staff and available research on the circumstances of former foster children, CBO estimates that about 60 percent of former foster care children are eligible for Medicaid under one of these categories and that just over half of those who are eligible are currently enrolled. In 2004 this would correspond to 48,000 eligible individuals and 27,000 enrollees.

Under H.R. 3443, CBO estimates that both eligibility and participation among former foster care children would be higher. The act would allow states to create a specific eligibility group for former foster children who reached age 18 and are no longer eligible for foster care. Such individuals could be eligible until their 21st birthday. In addition, states could determine the income and resource limits that would apply or eliminate the means test altogether. CBO assumes that three-quarters of the states that have adopted the Ribicoff provision and two-thirds of the other states would take up the option. Under the option, CBO assumes that the total proportion of former foster children who would be eligible would increase to 85 percent. CBO further assumes that states will enroll a larger proportion (75 percent) of eligibles by eliminating or raising means-test limits and by streamlining the eligibility process. In 2004 these assumptions will result in 68,000 eligible individuals and 51,000 enrollees, or a net increase in enrollment of about 24,000.

Research and administrative data show that children who are in foster care have average medical costs that are two to five times the costs for other children who receive Medicaid. Higher average costs are largely, though not exclusively, attributable to greater mental health needs. Costs for individuals newly eligible under the act are likely to have medical expenses

near the lower end of the range for currently enrolled foster children for two reasons. First, people with the greatest medical needs are likely to be already participating under current eligibility rules. Second, former foster children may not seek as many services as foster children. Therefore, CBO assumes average federal Medicaid costs per person would be twice the average for Medicaid children, or about \$2,700 a year in 2004. Federal Medicaid costs for these new enrollees would total \$65 million in 2004.

In addition, some 18 year-old former foster children are currently eligible for SCHIP rather than Medicaid. Under the act, if the state takes the option to expand eligibility to former foster children, those children would lose SCHIP eligibility and would participate in Medicaid instead. Spending for SCHIP would be reduced by \$5 million in 2004 and Medicaid spending would increase by a similar amount.

## **Title II: SSI Fraud Prevention**

Title II primarily contains provisions aimed at improving payment accuracy and program integrity in the SSI program. Other provisions would allow SSI recipients who served in the military during World War II to receive a reduced benefit if they move overseas. The direct spending effects of title II are shown in Table 3.

**Additional Debt Collection Tools.** Section 203 of the act would allow the Social Security Administration (SSA) to use additional debt collection practices in recovering SSI overpayments. These practices include assessing interest and penalties on overpayments, reporting individuals who are slow to repay to credit bureaus, and contracting with private collection agencies. SSA already uses these debt collection practices for Social Security overpayments.

Under current law, SSA's primary method of recovering SSI overpayments is through benefit offsets. Individuals who have been overpaid and are receiving either SSI or Social Security can have up to 10 percent of their monthly benefits withheld until the overpayment has been recovered. SSA's ability to recover overpayments from individuals who are not receiving SSI or Social Security is much more limited. SSA can do little more than send these individuals repeated requests for repayments, usually with no results. As a final step after these requests have failed, SSA can ask the Treasury Department to withhold any tax refunds due to individuals who have been overpaid. However, most SSI recipients have sufficiently low incomes that they are not affected.

Like the tax refund offset, these new debt collection tools would be used only after the benefit offsets and requests for voluntary repayment have failed. These new tools would take a significant amount of time to implement and likely would not be available before fiscal

year 2002. According to SSA, about \$400 million in delinquent SSI debt is outstanding at any one time. SSA recovers about \$60 million (15 percent) of this debt annually using current collection methods. CBO estimates that the additional debt collection tools in H.R. 1802 would allow SSA to recover an additional 2-to-2.5 percent of this delinquent debt. These additional collections would boost recoveries, which are considered offsetting receipts, by \$25 million over the 2000-2004 period.

TABLE 3. ESTIMATED DIRECT SPENDING EFFECTS OF TITLE II OF H.R. 3443

|   | Outlays By Fiscal Year, in Millions of Dollars |           |            |            |            |
|---|--|-----------|------------|------------|------------|
|   | 2000   | 2001      | 2002       | 2003       | 2004       |
| <b>CHANGES IN DIRECT SPENDING</b>                   |  |           |            |            |            |
| Additional Debt Collection Tools (SSI)              | 0  | 0         | -5         | -10        | -10        |
| Count Certain Trusts as Resources (SSI)             | a  | a         | -1         | -1         | -2         |
| Period of Ineligibility for Certain Asset Transfers |  |           |            |            |            |
| SSI   | a  | -2        | -4         | -6         | -7         |
| Medicaid  | <u>a</u>                                       | <u>-2</u> | <u>-5</u>  | <u>-8</u>  | <u>-10</u> |
| Subtotal  | a  | -4        | -9         | -14        | -17        |
| Allow Monitoring of Bank Accounts                   |  |           |            |            |            |
| SSI   | 0  | 0         | -30        | -21        | -19        |
| Medicaid  | <u>0</u>                                       | <u>0</u>  | <u>-25</u> | <u>-18</u> | <u>-17</u> |
| Subtotal  | 0  | 0         | -55        | -39        | -36        |
| Benefits for Certain World War II Veterans          |  |           |            |            |            |
| SSI   | 0  | -1        | -3         | -3         | -3         |
| Medicaid  | 0  | -7        | -16        | -17        | -16        |
| Food Stamps   | <u>0</u>                                       | <u>-1</u> | <u>-1</u>  | <u>-1</u>  | <u>-1</u>  |
| Subtotal  | 0  | -9        | -20        | -21        | -20        |
| Total Changes                                       | a  | -13       | -90        | -85        | -85        |

a. Savings of less than \$500,000.

**Count Certain Trusts as Resources.** To qualify for SSI benefits, an individual's total resources must fall within certain limits. For SSI purposes, the term "resources" includes most types of assets but excludes certain items like a primary residence and a car. SSI also excludes assets that an individual has placed in an irrevocable trust. By comparison, assets placed in a revocable trust are considered resources since an individual can dissolve the trust and regain control over the assets.

Section 205 of the act would count the assets that an individual places in an irrevocable trust as resources if the trust could still make payments for the individual's benefit. This new policy would apply only to trusts formed after December 31, 1999, and would incorporate exemptions for certain disabled individuals contained in a similar policy in the Medicaid program.

According to SSA, about 20,000 current SSI recipients have irrevocable trusts. Since turnover for the SSI caseload is about 10 percent annually, CBO assumes that the provision would affect about 2,000 new trusts each year. CBO assumed that 90 percent of trusts would meet one of the bill's exceptions and not be counted as resources. The exceptions apply primarily to disabled individuals, and research by SSA suggests that most trusts are held by disabled children and disabled adults. As a result, CBO estimates that about 200 individuals each year would be ineligible for SSI under this provision and that the resulting benefit savings would total \$4 million over the 2000-2004 period.

**Period of Ineligibility for Certain Asset Transfers.** There is currently no penalty for individuals who transfer or sell assets for less than fair market value in order to meet SSI's asset restrictions. (SSI did penalize these transfers from 1981 to 1988, usually by imposing a two-year period of ineligibility.)

Section 206 of the act would impose a period of ineligibility on SSI applicants who transfer assets for less than market value. The new SSI restrictions would be similar to those that already exist in the Medicaid program for individuals seeking institutional services, and would apply only to asset transfers taking place in the three-year period prior to application. The length of the period of ineligibility would vary according to the uncompensated value of the assets that were transferred but could not exceed 36 months. These new provisions would apply only to asset transfers taking place after enactment.

Based on a 1996 study by the General Accounting Office, CBO estimates that about 2,800 SSI applicants annually have transferred assets within the previous three years and would be subject to this provision. Initially, many applicants would not be affected since they transferred assets prior to enactment. However, about 5,300 people would be ineligible for SSI by 2004. CBO estimates that the resulting SSI benefit savings would total \$19 million over the 2000-2004 period.

CBO estimates that the change in SSI treatment of asset transfers would also result in federal Medicaid savings of \$25 million over the 2000-2004 period. CBO assumes that under the provision, about half of the individuals who lose SSI eligibility would also lose eligibility for Medicaid.



The effect on Medicaid eligibility of the SSI change is mitigated by several factors. In some states, prohibitions on asset divestiture for noninstitutional care already prohibit SSI recipients who have transferred assets from receiving Medicaid. Although under current law the states must impose penalties for transferring assets on applicants who seek institutional services, states may apply the same criteria to applicants seeking noninstitutional services. In states where SSI eligibility does not automatically confer Medicaid eligibility, Medicaid beneficiaries who transferred resources to get SSI would not be affected by the policy. These states (known as 209(b) states) establish their own eligibility criteria for SSI-related Medicaid coverage. Additionally, in some states, individuals losing SSI would be eligible for state medically needy programs, which allow beneficiaries to deplete their income and resources to Medicaid eligibility levels because of high medical expenses.

Per capita expenditures for those who would lose Medicaid eligibility are likely to be similar to expenses for acute and noninstitutional care services for current Medicaid beneficiaries—about \$2,400 a year in 2000 for aged persons and \$4,000 for disabled persons. CBO assumes that most people affected by the act would be aged.

**Allow Monitoring of Bank Accounts.** Section 213 of the act would allow SSA to obtain financial records for SSI recipients to ensure that they meet SSI's resource restrictions and remain eligible for benefits. SSA already has the authority to get a recipient's financial records, but only on a case-by-case basis and with the recipient's permission. This bill would require recipients to give their permission automatically or risk losing their eligibility. This would allow SSA to conduct periodic data matches with financial institutions to check for unreported assets.

SSA currently checks for unreported assets in bank accounts through a data match with the Internal Revenue Service (IRS) based on the information on form 1099, which is issued to individuals with interest income. SSA generally conducts this match in September or October each year, using IRS data for the previous tax (i.e., calendar) year. This means that recipients with unreported bank accounts may be overpaid for as much as 22 months before detection. And since the current match is based on form 1099, it does not cover SSI recipients with assets in non-interest-bearing accounts. Switching to periodic direct matches with financial institutions would allow SSA to obtain information on unreported assets in a more timely manner and monitor some non-interest-bearing accounts.

CBO estimates that under current law between 7,000 and 8,000 recipients annually lose their SSI eligibility as a result of the 1099-based match. Many of these individuals subsequently regain eligibility by spending down their assets to meet SSI's asset restrictions. Research by SSA suggests that over 40 percent of SSI recipients who are suspended for having excess

resources return to the rolls within a year, and that about 60 percent of suspended recipients return within four years.

Based on discussions with SSA, CBO estimates that this provision would not be fully implemented until 2002. SSA would need at least two years to negotiate, develop, and test a data-sharing protocol with the financial industry that would allow these periodic data matches. This match would be conducted primarily with large national and regional banks.

Starting in 2002, CBO estimates that an additional 6,000 SSI recipients would become ineligible under the new match. These additional suspensions would mostly represent a speeding up of detections that would have occurred later under the current matching process. Based on information from the Federal Reserve, CBO also assumes that total suspensions would increase by about 10 percent due to improved detection of non-interest-bearing accounts. By 2004, many suspended recipients would have returned to the SSI rolls, and CBO estimates that the number of additional suspended recipients would decline to about 3,500. Overall, CBO estimates that this provision would reduce spending on SSI benefits by \$70 million over the 2000-2004 period.

CBO assumes that most people who lose SSI eligibility because they have resources above the SSI limit would also be disqualified from Medicaid, since the Medicaid resource limit is usually the same as the SSI limit. At an average annual cost of \$2,400 for aged individuals and \$4,000 for disabled individuals in 2000, CBO estimates total Medicaid savings of \$60 million over the 2000-2004 period.

**Benefits for Certain World War II Veterans.** Under current law, SSI recipients must usually live in the United States to remain eligible for benefits. This act would create a new program under title VIII of the Social Security Act that would pay benefits to SSI recipients who served in the military during World War II and move overseas. Recipients in this new program would be ineligible for SSI but would receive monthly benefits equal to about 75 percent of their old SSI benefit. By moving overseas, they would also become ineligible for Medicaid and food stamps. This new program would apply only to veterans receiving SSI at the time of enactment and would take effect a year after enactment.

CBO believes that beneficiaries in this new program would come primarily from two particular groups of veterans. The first group would be veterans of Filipino military units that served with the U.S. armed forces during the war while the Philippines was still an American commonwealth. Most of the Filipino veterans who are now receiving SSI probably came to the United States under a special provision of the Immigration Act of 1990 that allowed them to become naturalized citizens. According to the Immigration and Naturalization Service (INS), about 17,500 veterans have become citizens under this provision. However, veterans could naturalize in either the Philippines or the United States,

and INS does not know how many veterans are in this country. CBO estimated that about 16,000 naturalized veterans are still alive and assumed that 80 percent of the veterans who naturalized are in the United States, and that half of them get SSI. The percentage of veterans on SSI should be high; virtually all veterans are well over 65 years old and those who spent most of their lives in the Philippines are probably poor. CBO also assumed that another 1,000 veterans who either arrived before 1990 or arrived after 1990 as noncitizens are also getting benefits. Overall, CBO estimated that about 7,300 Filipino veterans are currently receiving SSI benefits.

The second group taking part in this program would be veterans who are originally from Puerto Rico (where SSI does not exist) and now live in the mainland United States. Information from SSA indicates that about 150,000 current SSI recipients were born in Puerto Rico. CBO assumed that these recipients were like the overall SSI population in terms of age and sex, and estimated that about 9,300 of these recipients were potential World War II veterans (i.e., men born before 1930). Based on data from the Department of Defense, CBO estimated that about 55 percent of American men born before 1930 are World War II veterans. Using this percentage, CBO estimated that about 5,000 SSI recipients are veterans who were born in Puerto Rico.

Finally, CBO assumed that 20 percent of these 12,300 recipients would receive benefits under this new program. Participation would likely be low because many recipients probably have family in this country and those moving overseas would lose Medicaid and food stamps. Although expansions of benefits often attract additional people to the benefit rolls, that effect seems likely to be small for this particular proposal. Relative to current law, CBO estimates that this new program would reduce SSI outlays by \$10 million over the 2000-2004 period. Since veterans who move abroad would become ineligible for food stamps and Medicaid, this program would also reduce spending in those programs by \$4 million and \$56 million, respectively, over the same period.

Title VIII would also impose new civil and criminal penalties. CBO estimates that enacting the bill would increase revenues by an insignificant amount. Any criminal fines would be deposited in the Crime Victims Fund and spent in subsequent years.

### **Title III: Child Support**

Title III would narrow and eventually eliminate the hold-harmless provision of the child support program. Under current law, federal and state governments retain any child support collected on behalf of current recipients and certain support collected on behalf of former Temporary Assistance for Needy Families (TANF) recipients. Under the hold-harmless

provision, the federal government guarantees that a state's amount of retained child support will not fall below the amount that it retained in fiscal year 1995. In 1999, the federal government made hold-harmless payments to 19 states, the District of Columbia, and Guam totaling \$45 million. CBO projects hold-harmless payments will rise to \$50 million in 2000 as child support collections fall and fall to \$40 million by 2004 as collections grow slightly.

The provision would eliminate hold-harmless payments for most states in 2000 and for all states after 2002. States that share a significant portion of child support collections with families rather than retaining them would be entitled to receive a partial hold-harmless payment over the 2000 to 2002 period. The partial payment would equal half of the difference between the current collections that could be retained by the state and such collections in 1995. CBO estimates that two states, Wisconsin and Tennessee would meet the criteria of sharing a significant amount of support with families and would receive hold-harmless payments totaling about \$10 million a year through 2002. Title III would save a total of \$198 million over the 2000-2004 period.

## **PREVIOUS CBO ESTIMATE**

On June 9, 1999, CBO provided an estimate for H.R. 1802, the Foster Care Independence Act of 1999, as ordered reported by the House Committee on Ways and Means. CBO estimated that H.R. 1802 would increase spending in the Foster Care and Medicaid programs by \$291 million and \$195 million, respectively, over the 2000-2004 period. Those increases would be offset by reduced spending in the child support (\$230 million), SSI (\$125 million), Medicaid (\$118 million), Food Stamp (\$3 million) and State Children's Health Insurance (\$15 million) programs. The net effect over the 2000-2009 period of H.R. 1802 is an estimated increase in direct spending of \$222 million (as compared to an estimated total of \$188 million for H.R. 3443).

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